

AJ Bell Balanced Ready-made portfolio half-yearly update

As of 31/12/2021

Commentary

Over the second half of 2021, the Balanced portfolio delivered a positive return of 3.6%, making an overall return of 25.4% since its inception on 12 December 2018. Across this half-year, the strongest performer was Trojan Global Income, which delivered 9.9% over the period – broadly in line with its comparative index, the MSCI World Index.

As inflation started to bite, investors increasingly expected interest rates to rise. Sure enough, some central banks took action towards the end of 2021, with the Bank of England one of the first to move, raising the UK base rate from 0.10% to 0.25% – the first rise since before the COVID-19 pandemic. This prevailing economic environment was anathema to bonds, which suffer price drops when higher interest rates become available to lenders.

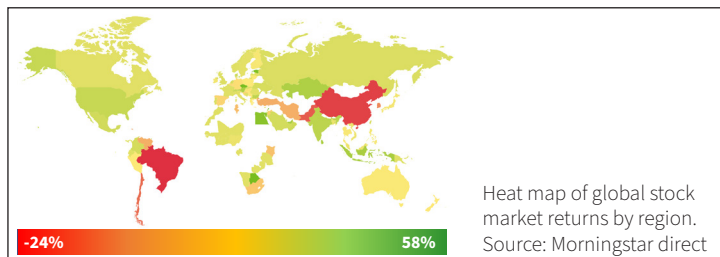
It was strong share markets in developed countries that led the way in the second half of 2021. The US in particular performed strongly, with the S&P 500 up 13%, and nearly 30% across the whole of 2021. Conversely, many emerging market countries struggled – most notably China, where shares were weakened by uncertainty around government intervention in the country's stock market. India, however, had opposite fortunes. The country's main stock index was up 14.6% in the last six months and returned 27.4% over the year.

Elsewhere, Japanese stocks struggled, enduring a volatile six months. In Q3 2021, its index was up 7.1%, before giving up most of its gains during Q4 2021. The consistent factor was a weakening yen, which is a headwind for domestic investors because it means share prices are worth less when converted back into pound sterling.

Despite uncertainty around inflation, public finances, and the Omicron variant of COVID-19, investors appeared generally optimistic and supported markets in the final months of 2021. The success of the worldwide vaccination program, as well as increased economic activity following the end of lockdowns, contributed to this optimism. Data suggesting that the Omicron variant might not be as dangerous as feared has also helped to ease concerns over a future of living with COVID-19, if the virus is not eliminated completely.

The Investments Team at AJ Bell made no suggested changes to the portfolio following our annual strategic asset allocation review. We retain strong conviction in the current holdings and the portfolio's ability to navigate uncertain times in the markets during 2022 for Balanced investors.

H2 Stock market performance



Returns

July - December 2021	3.6%
1 year	7.9%
Since inception	25.4%

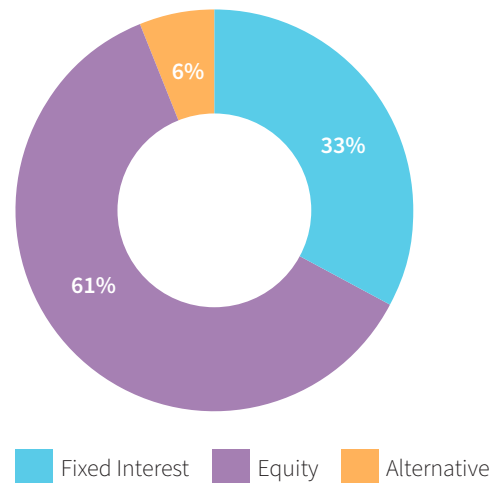
Portfolio snapshot

Estimated 12-month yield	1.55%
Inception date	12/12/2018
Average OCF of portfolio	0.77%

The portfolio yield is calculated on a backward looking basis covering the last 12-month period using the current Ready-made portfolio weightings.

The portfolio's ongoing charges figure (OCF) is a weighted average of the OCF of each of the underlying funds, using the Ready-made portfolio weights at the end of the reported period. The Portfolio's OCF does not include AJ Bell Youinvest's custody charge.

Portfolio asset allocation



Investment growth



Balanced Ready-made portfolio

Source: Morningstar Direct

Portfolio rating



The risk rating of the portfolio depends on the type of assets it invests in. Bonds are more conservative because they offer a more certain (though typically lower) return. Shares are more aggressive because they offer a less certain (though typically higher) return.

Keep in mind this applies over the longer term: five years or more.

Balanced Ready-made portfolio

Funds currently held in portfolio	Asset allocation
Fidelity Global Special Sits W Acc	30%
Fidelity Strategic Bond W Acc	23%
Trojan Global Income O Acc	15%
Ninety One UK Alpha J £ Acc	10%
TwentyFour Corporate Bond I GBP Acc	10%
Janus Henderson Absolute Return I Acc	6%
Jupiter UK Special Situations I Acc	6%

Remember, AJ Bell doesn't manage or rebalance your portfolio after you've bought it, so depending on when you invested your portfolio may look different to the current weighting of our Ready-made portfolios. The value of your investments can go down as well as up and you may get back less than you originally invested. We don't offer advice, so it's important you understand the risks, if you're unsure please consult a suitably qualified financial adviser. Past performance is not a guide to future performance and some investments need to be held for the long term. Yields are not guaranteed and can fluctuate.